



## U.S. House of Representatives

COMMITTEE ON THE BUDGET

Washington, DC 20515

May 8, 2019

Chairman John Yarmuth  
House Committee on the Budget  
204-E Cannon House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

We are writing to request a Budget Committee hearing on the fiscal and economic implications of Modern Monetary Theory.

Not only is this theory currently being debated in the media and among academics, but also Members of Congress have expressed interest in Modern Monetary Theory as a possible means to pay for several key policy proposals which would impact the lives of millions of Americans.

Modern Monetary Theory advances the notion that our nation's growing debt is inconsequential and should not be a concern for policymakers and the American people. Conversely, other economists have disputed this theory, warning that "the most dangerous domestic problem facing America's federal government is the rapid growth of its budget deficit and national debt."<sup>1</sup> The debate over the validity of this increasingly prominent theory goes to the heart of every issue our Committee is expected to address in the 116<sup>th</sup> Congress.

The Congressional Budget Office (CBO) projects the national debt will reach 109 percent of GDP by 2029. CBO notes: "such high and rising debt would have significant negative consequences, both for the economy and for the federal budget."

As you know, one of the budgetary dangers of a debt level of this magnitude is that the resulting interest payments will increasingly crowd out spending on other important federal priorities such as defense, homeland security, transportation, and science. Interest payments on the national debt are projected to increase from 1.6 percent of Gross Domestic Product (GDP) last year to 6.3 percent of GDP by 2049. At that point, CBO projects interest payments on the national debt will exceed the cost of all discretionary spending. Such an increase in the federal debt burden would make it impossible to pay for the federal government's commitments.

Beyond the budgetary implications, CBO notes the economic dangers of growing debt: "The likelihood of a fiscal crisis in the United States would increase. Specifically, the risk would rise of investors being unwilling to finance the government's borrowing unless they were compensated with very high interest rates. If that occurred, interest rates on federal debt would rise suddenly and sharply relative to rates of return on other assets."


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<sup>1</sup> Feldstein, Martin. "The Debt Crisis Is Coming Soon." The Wall Street Journal, 20 Mar. 2019, [www.wsj.com/articles/the-debt-crisis-is-coming-soon-11553122139](http://www.wsj.com/articles/the-debt-crisis-is-coming-soon-11553122139).

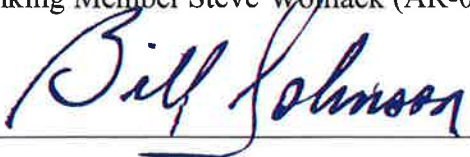
We recommend the Committee hear from proponents and opponents of the Modern Monetary Theory, as well as an expert from the Congressional Budget Office, which can present the best available evidence and provide objective analysis of the impact of debt on our federal budget, our economy, and the people we were all elected to serve.

Thank you for your attention to this matter.

Sincerely,



Ranking Member Steve Womack (AR-03)



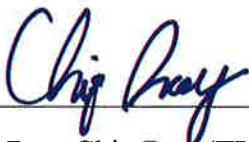
Rep. Bill Johnson (OH-06)



Rep. Bill Flores (TX-17)



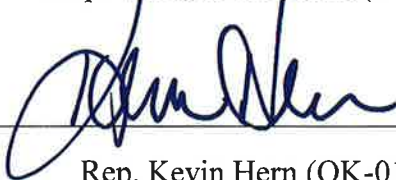
Rep. Chris Stewart (UT-02)



Rep. Chip Roy (TX-21)



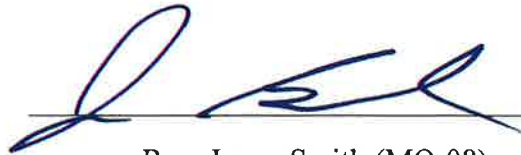
Rep. William Timmons (SC-04)



Rep. Kevin Hern (OK-01)



Rep. Rob Woodall (GA-07)



Rep. Jason Smith (MO-08)



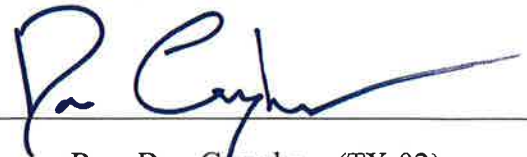
Rep. George Holding (NC-02)



Rep. Ralph Norman (SC-05)



Rep. Dan Meuser (PA-09)



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Rep. Tim Burchett (TN-02)